

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2540 - HB 2584

February 8, 2010

SUMMARY OF BILL: Exempts prescription vitamins from state and local sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$4,938,300

Decrease Local Revenue - \$1,763,700

Assumptions:

- According to the Department of Revenue, vitamins are currently considered a food supplement subject to sales and use tax.
- Based on information from the New Hope Natural Media's Nutrition Business Journal, the nutrition industry in the United States was a \$101.8 billion industry in 2008.
- Twenty-five percent of industry sales are from supplements
- Eighty-eight percent are from retail sales.
- Based on population estimates, Tennessee accounts for two percent of national sales.
- Fifteen percent of supplements are considered vitamins.
- Five percent annual growth of nutrition industry.
- Taxable sales of vitamins in Tennessee are estimated to be \$70,547,400 per year ($\$101.8 \text{ billion} \times 25.0\% \times 88.0\% \times 2.0\% \times 15.0\% \times 105.0\% = \$70,547,400$).
- The current state sales tax rate is seven percent.
- The decrease to state sales tax revenue is estimated to be \$4,938,300 per year ($\$70,547,400 \times 7.0\% = \$4,938,318$).
- The average local option sales tax rate is estimated to be 2.5 percent.

- The decrease to local government revenue is estimated to be \$1,763,700 per year (\$70,547,400 x 2.5% = \$1,763,685).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc